



# CRS Issue Statement on the American Recovery and Reinvestment Act

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The economy entered a recession in December 2007 as declared by the National Bureau of Economic Research. The 110<sup>th</sup> Congress responded to the downturn with a stimulus package in February 2008 (P.L. 110-185) that consisted primarily of tax provisions, and economic stabilization legislation in October 2008 (P.L. 110-343) that attempted to address high foreclosure rates and turmoil in the financial markets through creation of the Troubled Assets Relief Program. The economy continued to deteriorate and as unemployment rates spiked, debate focused on whether and how the federal government should act to stimulate spending that would stem job loss and mitigate impacts of the recession.

The 111<sup>th</sup> Congress passed the American Recovery and Reinvestment Act (ARRA) in February 2009 (P.L. 111-5). During consideration of ARRA and since its enactment, Members have waged debate over the appropriate balance between tax and spending provisions and whether the specific provisions of ARRA—together with previous policies enacted in the 110<sup>th</sup> Congress—will be effective in boosting the economy.

ARRA provides \$787 billion through a vast array of discretionary and mandatory spending and tax provisions that the Administration estimates will save or create some 3.5 million jobs. Additional funding is provided for existing and some new programs in at least 15 Cabinet-level departments and 10 independent agencies. Funds are distributed to states, localities, other entities and individuals through a combination of formula and competitive grants and direct assistance. In addition to new spending and tax provisions, new policies are created regarding unemployment compensation, health insurance, health information technology, broadband communications, and energy, among others.

The Obama Administration has pledged transparency and a high degree of accountability in implementing ARRA, while also committing itself to a rapid release of funds from the federal agencies to their intended recipients. Congress faces the challenge of conducting effective oversight of the massive legislation, while individual Members also are being asked by states, localities and other constituencies for information about how to obtain assistance through the act. Depending on the continuing state of the economy, Congress also may need to address the question of whether additional stimulus is needed.

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